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examinations. Perhaps the most unique features of the management in this aspect are the enlightened methods of dealing with "slow workers," and the encouragement of trade unions. The management regards it as a defect when high wages and superior conditions of employment cause unionism to languish among their employees. Of the external welfare undertakings the most important is the housing scheme, administered non-exclusively as to occupiers and independently of the firm.

There is little in the methods of management that would be called "scientific management" in this country—no "time studies," but slight development of functional foremanship, and no evidence that there is routing and dispatching of the work from a central office. The method of remuneration is rather old-fashioned—a mixed system of time wage and group piece rate, with the piece-price earnings of the group allotted to individuals in proportion to their time wage.

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Depreciation and Wasting Assets and Their Treatment in Assessing Annual Profit and Loss. By P. D. LEAKE. (London: Henry Good and Son. 1912. Pp. xi, 195. 10s. 6d.)

The author is a well-known English accountant. He has written extensively on accounting subjects, especially on depreciation, and his writings have been marked by common sense and clearness of expression. The same characterization should be made of the present volume. It presents a discriminating and clear discussion of a technical and rather slippery subject. It should be read not only by accountants but especially by managers of large business.

The book consists of twelve chapters. In chapters 1 to 4 the author explains the nature of depreciation and to what kind of assets it applies; in 5 and 6 the methods by which annual depreciation may be determined; and in chapter 7 he makes a special application to the industrial plant and shows how detailed records of depreciation may be kept. Through chapters 8 and 9 he shows how depreciation applies to special kinds of assets: natural raw materials (coal and ore deposits) and recurring crops; purchased terminal annuities; purchased terminal concessions, leaseholds, copyrights, patent rights, good-will and trade-marks. The last chapter applies especially to England, urging that deprecia-

tion should be allowed before the income tax is levied upon annual business profits. Finally, there is an appendix with depreciation tables.

The author holds that "capital outlay on wasting assets consists merely of payments made in advance on revenue account" (p. 19), *i.e.*, capital is prepaid expense. To correspond with this view, he considers depreciation "expired capital outlay" (p. 12), the part of original prepaid expense that has been used up. He holds to the straight-line method of calculating depreciation, *i.e.*, applying a fixed annual rate to the original cost value of the assets. This he compares especially with the method of applying a fixed annual rate to the balance of cost value. He prefers the straight-line method because it approximates more closely to the facts of production (*i.e.*, he believes that the plant produces very nearly in equal annual instalments), and because it is simplest in application and most easily understood by managers.

For many concerns the author's method is as good as any, or better. Simplicity for managers is a strong argument! On the point of theory, however, there is little real support for the method; but there is not space to argue the matter. As for ease of application, why should it be harder to apply a given rate to the *balance* than to the *original cost* of an asset value? Moreover, the original-cost basis probably requires more individual calculations and entries for the detailed plant records than does the balance-of-cost basis.

Like most accountants the author holds to a pretty rigid cost theory of value. Thus, he argues, the book values of wasting assets should not be marked up whatever the market price; likewise the amount of annual depreciation should not be affected by any fluctuations in the market value of the assets in question (p. 11). Is not this rather an extreme position? Besides keeping track of cost elements, should not the accounts also show the real standing and real changes in the business? Cost values and real values are certainly not the same thing. Moreover, unless changes in market prices are regarded, not enough or too much depreciation may be allowed. Thus, suppose a given machine cost \$1100, with expected life ten years, and scrap value \$100; then, according to the author, depreciation of \$100 a year must be allowed to replace the machine in ten years. But suppose in five years the market price of such machines has advanced

to \$1500. Then, obviously, the \$100 allowance will not be enough to replace the machine and the real capital of the business will suffer encroachment. Of course, temporary price fluctuations cannot very well be recorded. But, to disregard changes that appear reasonably permanent is not to tell the whole truth about the business.

On matters of accounting theory, the author's contentions on many points may well be disputed. But his plea for systematic provision for depreciation in plant is strongly presented—and his principal object in the book is just that plea.

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Les Valeurs Françaises depuis Dix Ans. By FRANCOIS MAURY.
(Paris: Librairie Félix Alcan. 1912. Pp. 168. 4 fr.)

François Maury's study is both a verification and a modification of Henry Lowenfield's and Paul Leroy-Beaulieu's ideas of geographical distribution of investment securities. Maury, however, follows the more purely statistical method of analysis employed by René Lozé on this same subject. All the statistical material in the study is based on a comparison of French companies, which have been widely selected.

The book is divided into three parts. The first part is devoted to a defense of the statistical method in a study of personal property and securities; the second gives the results obtained concerning the assets, liabilities, and dividends during the last six years of railroads, public utilities, and industrials in France; the third, besides giving a synopsis of the balance and income sheets, shows the relation between profits, expenditures, and dividends, and also indicates "the coefficient of guarantee of dividends, assets and obligations." The author also attempts to show, in the course of his study, some of the fundamental difficulties encountered in each company and the consequent effect on the stability of its earning capacity. His rule of procedure in ascertaining the strength of a company is undoubtedly good, but in the examination of certain companies it would be strengthened if his investigation covered a longer period.

Upon the basis of the results that he obtains in the study of these companies, covering a period of six years, he maintains that in the majority of instances, the French capitalist is warranted in placing all his capital in French companies.